

# SVM UK Emerging Fund plc



September 2021  
**Half Yearly Report**

## HIGHLIGHTS

- Over the six months to 30 September 2021, the Company's net asset value gained 16.6% to 145.7p per share, compared to a return of 8.4% in the IA UK All Companies Sector Average Index.
- Over the five years to 30 September 2021, net asset value gained 70.5% and the share price 79.1%, against the IA UK All Companies Sector Average Index return of 38.4%.
- Positive contributions from Watches of Switzerland, Alpha FX Group, Dianomi, Reach and Dechra Pharmaceuticals.
- Portfolio emphasises exposure to scalable businesses with a competitive edge that can protect margins and deliver growth.

*“Long term capital growth from investments in smaller UK companies. Its aim is to outperform the IA UK All Companies Sector Average Index on a total return basis”*

### Financial Highlights

<b>Total Return Performance to 30 September 2021</b>	<b>6 months</b>	<b>3 years</b>	<b>5 Years</b>	<b>10 Years</b>
Net Asset Value	16.6%	13.5%	70.5%	98.5%
Share Price	16.1%	-7.6%	79.1%	122.1%
Comparator Index*	8.4%	15.1%	38.4%	92.3%

\* The comparator index for the Fund was changed to the IA UK All Companies Sector Average Index from 1 October 2013 prior to which the FTSE AIM Index was used.

## CHAIRMAN'S STATEMENT

Over the six months to 30 September 2021, the Company's net asset value gained 16.6% to 145.7p per share, compared to a return of 8.4% in the IA UK All Companies Sector Average Index. Over the six months, the share price gained 16.1%. In the five years to 30 September 2021, net asset value has gained 70.5% and the share price 79.1%, against the IA UK All Companies Sector Average return of 38.4%. The Company's net asset declined slightly since the period under review to 145.45p at 29 October 2021 (total return, SVM and FE fundinfo data).

During the period investor focus was on recovery and concerns over inflation, with the best performances in the stockmarket typically from businesses that were expected to benefit from the easing of the lockdown. However, the summer saw some interest return to growth businesses, as many traditional sectors were hit by economic pressures, supply disruption and higher energy costs. This seems likely to lead in the short term to higher UK interest rates, but higher energy costs and shortages are likely in time to cool the economy. Nevertheless, the UK economy looks set for strong growth in 2022, with capital expenditure for investment at particularly high levels.

The strongest contributions to performance over the period were from Watches of Switzerland, Alpha FX Group, Dianomi, Reach, Kin and Carta and Dechra Pharmaceuticals. Laggards included Ceres Power, ASOS, Renishaw and AO World.

Additional investment was made in Entain, Kooth, Marlowe and Redde Northgate. The Fund also participated in the new listings of Brickability Group, Dianomi, Revolution Beauty and Microlise Group. These flotations brought into the portfolio innovative strategies of a number of smaller and medium sized businesses. To fund these purchases, Ocado, AO World, The Hut Group, Just Eat Takeaway, Premier Foods and Moonpig were sold.

The sharp recovery in the UK economy is creating value in some disruptive businesses. Many of these enter the stockmarket as small or mid-cap, but have potential to be much bigger, growing organically and by acquisition. Some, such as Dianomi, emphasise innovative digital strategies and online services, but others are providing new services in traditional sectors. For example, Microlise is a long-established business that provides logistics management services to optimise operations for truck fleets. The portfolio is diversified across a wide range of sectors, but a common characteristic of many portfolio holdings is dominance within a niche.

The portfolio focuses on resilient growing businesses, with low exposure to commodities, oil and banks. These are typically scalable businesses with a competitive edge. The Fund remains fully invested with some additional gearing.

Peter Dicks  
**Chairman**  
5 November 2021

## INVESTMENT OBJECTIVE and POLICY

The investment objective of SVM UK Emerging Fund plc (the “Fund” or the “Company”) is long term capital growth from investments in medium-sized and smaller UK companies. Its aim is to outperform the IA UK All Companies Sector Average Index on a total return basis

The Fund aims to achieve its objective and to diversify risk by investing in shares and related instruments, controlled by a number of limits on exposures. Appropriate guidelines for the management of the investments, gearing and financial instruments have been established by the Board. This is an abridged version of the Fund’s investment policy. The full investment policy can be found in the Strategic Report within the Fund’s latest Annual Report & Accounts.

## DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Half Yearly Report in accordance with applicable law and regulations.

The Directors confirm that to the best of their knowledge:

- (i) the condensed set of financial statements have been prepared in accordance with the Financial Reporting Council Statement 104 “Interim Financial Reporting” on a going concern basis, taking in to account guidance on Covid-19, and give a true and fair view of the assets, liabilities, financial position and gain or loss of the Fund;
- (ii) the Half Yearly Report includes a fair review of the information required by the Disclosure and Transparency Rules DTR 4.2.7R (an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year); and DTR 4.2.8R (disclosure of related party transactions and changes

therein that could have a material effect on the financial position or performance of the Fund during the first six months of the current financial year).

- (iii) No related party transactions have taken place during the first six months of the year that have materially affected the financial position of the Fund during the period and there have been no changes in the related party transactions as described in the Annual Report & Accounts for the year end 31 March 2021 that could do so.

The Directors consider that the Half Yearly Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Fund’s performance and strategy,

The Half Yearly Report has not been audited or reviewed by the Fund’s auditors.

By Order of the Board  
**Peter Dicks**  
Chairman  
5 November 2021

## UNAUDITED ACCOUNTS

### Income Statement

	Six months to 30 September 2021			Six months to 30 September 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gain on investments at fair value	-	1,283	1,283	-	1,464	1,464
Income	56	-	56	20	-	20
Investment management fees	-	(32)	(32)	-	(22)	(22)
Other expenses	(61)	-	(61)	(73)	-	(73)
<b>(Loss)/gain before finance costs and taxation</b>	<b>(5)</b>	<b>1,251</b>	<b>1,246</b>	<b>(53)</b>	<b>1,442</b>	<b>1,389</b>
Finance costs	(7)	-	(7)	(5)	-	(5)
<b>(Loss)/gain on ordinary activities before taxation</b>	<b>(12)</b>	<b>1,251</b>	<b>1,239</b>	<b>(58)</b>	<b>1,442</b>	<b>1,384</b>
Taxation	-	-	-	-	-	-
<b>(Loss)/gain attributable to ordinary shareholders</b>	<b>(12)</b>	<b>1,251</b>	<b>1,239</b>	<b>(58)</b>	<b>1,442</b>	<b>1,384</b>
<b>(Loss)/gain per Ordinary Share</b>	<b>(0.20)p</b>	<b>20.87p</b>	<b>20.67p</b>	<b>(0.96)p</b>	<b>24.05p</b>	<b>23.09p</b>

	Year ended 31 March 2021 (audited)		
	Revenue £'000	Capital £'000	Total £'000
Net gain on investments at fair value	-	2,743	2,743
Income	51	-	51
Investment management fees	-	(48)	(48)
Other expenses	(144)	-	(144)
<b>(Loss)/gain before finance costs and taxation</b>	<b>(93)</b>	<b>2,695</b>	<b>2,602</b>
Finance costs	(17)	-	(17)
<b>(Loss)/gain on ordinary activities before taxation</b>	<b>(110)</b>	<b>2,695</b>	<b>2,585</b>
Taxation	-	-	-
<b>(Loss)/gain attributable to ordinary shareholders</b>	<b>(110)</b>	<b>2,695</b>	<b>2,585</b>
<b>(Loss)/gain per Ordinary Share</b>	<b>(1.83)p</b>	<b>44.95p</b>	<b>43.12p</b>

The Total column of this statement is the profit and loss account of the Fund. All revenue and capital items are derived from continuing operations. No operations were acquired or discontinued in the year. A Statement of Comprehensive Income is not required as all gains and losses of the Fund have been reflected in the above statement.



## UNAUDITED ACCOUNTS

### Balance Sheet

	<b>As at 30 September 2021 (unaudited) £'000</b>	<b>As at 31 March 2021 (audited) £'000</b>	<b>As at 30 September 2020 (unaudited) £'000</b>
<b>Fixed Assets</b>			
Investments at fair value through profit or loss	8,416	7,598	6,278
<b>Total current assets</b>	<b>433</b>	107	227
<b>Creditors: amounts falling due within one year</b>	<b>(116)</b>	(211)	(212)
<b>Net current assets/(liabilities)</b>	<b>317</b>	(104)	15
<b>Total assets less current liabilities</b>	<b>8,733</b>	7,494	6,293
<b>Capital and Reserves</b>	<b>8,733</b>	7,494	6,293
<b>Equity shareholders' funds</b>	<b>8,733</b>	7,494	6,293
<b>Net asset value per Ordinary Share</b>	<b>145.67p</b>	125.00p	104.97p

## UNAUDITED ACCOUNTS

### Statement of Changes in Equity

For the period to 30 September 2021

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 1 April 2021	300	314	5,136	27	2,203	(486)	7,494
Gain/(loss) attributable to shareholders	-	-	-	-	1,251	(12)	1,239
<b>As at 30 September 2021</b>	<b>300</b>	<b>314</b>	<b>5,136</b>	<b>27</b>	<b>3,454</b>	<b>(498)</b>	<b>8,733</b>

For the year to 31 March 2021

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 1 April 2020	300	314	5,136	27	(492)	(376)	4,909
Gain/(loss) attributable to shareholders	-	-	-	-	2,695	(110)	2,585
As at 31 March 2021	300	314	5,136	27	2,203	(486)	7,494

For the period to 30 September 2020

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 1 April 2020	300	314	5,136	27	(492)	(376)	4,909
Gain/(loss) attributable to shareholders	-	-	-	-	1,442	(58)	1,384
As at 30 September 2020	300	314	5,136	27	950	(434)	6,293

## UNAUDITED ACCOUNTS

### Investment Portfolio as at 30 September 2021

Stock	Market Exposure 2021 £000	% of Net Assets
1 Alpha Financial Markets	399	4.6
2 Dechra Pharmaceuticals	290	3.3
3 4Imprint Group	285	3.3
4 Ceres Power Holdings	281	3.2
5 Watches Of Switzerland Group*	265	3.0
6 Unite Group	219	2.5
7 Draper Esprit	214	2.4
8 FDM Group Holdings	209	2.4
9 Keystone Law Group	205	2.3
10 XP Power	204	2.3
<b>Ten largest investments</b>	<b>2,571</b>	<b>29.3</b>
11 Gamma Communications	198	2.3
12 JD Sports Fashion*	197	2.3
13 Reach	193	2.2
14 Kin And Carta*	176	2.0
15 Hilton Food Group	172	2.0
16 Essensys	169	1.9
17 Kape Technologies	166	1.9
18 Impax Asset Management Group	162	1.9
19 Rentokil Initial	162	1.9
20 Kainos Group	161	1.8
<b>Twenty largest investments</b>	<b>4,327</b>	<b>49.5</b>
21 Experian	155	1.8
22 Games Workshop Group	149	1.7
23 Jet2	146	1.7
24 Flutter Entertainment*	146	1.7
25 Dianomi	136	1.5
26 Entain*	134	1.5
27 Kooth	128	1.5
28 Instem	123	1.4
29 Volex	120	1.4
30 Beazley Group	119	1.4
<b>Thirty largest investments</b>	<b>5,683</b>	<b>65.1</b>
<b>Other investments (49 holdings)</b>	<b>4,143</b>	<b>47.5</b>
<b>Total investments</b>	<b>9,826</b>	<b>112.6</b>
<b>CFD positions</b>	<b>(1,437)</b>	<b>(16.5)</b>
<b>CFD unrealised gains</b>	<b>27</b>	<b>0.3</b>
<b>Net current assets</b>	<b>317</b>	<b>3.6</b>
<b>Net assets</b>	<b>8,733</b>	<b>100.0</b>

Sector analysis as at 30 September 2021	% of Gross Exposure
<b>Sector</b>	
Consumer Discretionary	28.7
Industrials	25.1
Technology	20.7
Financials	9.1
Healthcare	4.1
Energy	4.0
Consumer Staples	3.2
Real Estate	3.1
Telecommunications	2.0
<b>Total</b>	<b>100.0</b>

\*Includes Contract for Difference ("CFDs")

Market exposure for equity investments held is the same as fair value and for CFDs held is the market value of the underlying shares to which the portfolio is exposed via the contract. The investment portfolio is grossed up to include CFDs and the net CFD position is then deducted in arriving at the net asset total.



## UNAUDITED ACCOUNTS

### Risks and Uncertainties

The major risks inherent within the Fund are market risk, liquidity risk, credit risk and interest rate risk. It has an established environment for the management of these risks which are continually monitored by the Manager. Appropriate guidelines for the management of its financial instruments and gearing have been established by the Board of Directors. It has no foreign currency assets and therefore does not use currency hedging. It does not use derivatives within the portfolio with the exception of CFDs. An explanation of these risks and how they are mitigated is explained in the 2021 Annual Report, which is available on the Manager's website: [www.svmonline.co.uk](http://www.svmonline.co.uk). These principal risks and uncertainties have not changed from those disclosed in the 2021 Annual Report.

### Going Concern

The Board, having made appropriate enquiries has a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. This conclusion takes in to account the Directors' assessment of the continuing risks from the COVID-19 pandemic. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

### Notes

1. The Financial Statements have been prepared on a going concern basis in accordance with FRS 102 "Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 104 "Interim Financial Reporting" and under the Association of Investment Companies Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued in April 2021 (the interim financial statements for the period to 30 September 2020 were prepared under the SORP issued in October 2019). The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value. These financial statements have been prepared in accordance with the accounting policies used for the financial year ended 31 March 2021.
2. During the period no shares were bought back (2020: no shares were bought back during the period).

The number of shares in issue at 30 September 2021 was 6,005,000 (2020: 6,005,000).

Returns per share are based on a weighted average of 5,995,000 (2020: 5,995,000) ordinary shares, being the number of shares in issue during the period excluding the 10,000 shares held in Treasury.

Total return per share is based on the total gain for the period of £1,239,000 (2020: gain of £1,384,000). Capital return per share is based on the capital gain for the period of £1,251,000 (2020: gain of £1,442,000,000). Revenue return per share is based on the revenue loss after taxation for the period of £12,000 (2020: loss of £58,000).

## UNAUDITED ACCOUNTS

3. All investments are held at fair value. At 30 September 2021 no unlisted investments were held with value attributed (31 March 2021: same; 30 September 2020: same).

Investments have been classified using the fair value hierarchy:

	<b>September 2021 £000</b>	March 2021 £000
<i>Classification of financial instruments</i>		
Level 1	<b>8,389</b>	7,304
Level 2	<b>27</b>	294
Level 3 – 2 investments (March 2021: 2)	-	-

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. The CFD positions are the sole Level 2 investments at 30 September 2021 and 31 March 2021.

Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data.

4. The Board has granted the Manager a limited authority to invest in CFDs to achieve some degree of gearing and/or hedging without incurring the gross cost of the investment. The Board requires the Manager to operate within certain risk limits, as detailed in the Annual Report. The following table details the CFD positions:

Number of CFD holdings at 30 September 2021: 12 (31 March 2021: 11)

<b>CFD positions</b>	<b>September 2021 £000</b>	March 2021 £000
Gross exposure	<b>1,437</b>	1,172
Net exposure	<b>1,437</b>	1,172
Unrealised gains	<b>27</b>	294
Unrealised losses	<b>68</b>	61

The gearing ratio is 15.6% at 30 September 2021 (31 March 2021: 16.7%). The gearing ratio indicates the extra amount by which the shareholders' funds would change if total assets (including CFDs' position exposure and netting off cash and cash equivalents) were to rise or fall. A figure of zero per cent means that the Company has a nil geared position.

5. SVM Asset Management Limited provides investment management and secretarial services to the Fund. The Manager is entitled to a fee for these services, payable quarterly in arrears, equivalent to 0.75% per annum of the total assets of the Fund, less current liabilities.

## **UNAUDITED ACCOUNTS**

6. The above figures do not constitute full or statutory accounts in terms of Sections 434 and 435 of the Companies Act 2006. All information shown for the six months to 30 September 2021 is unaudited. The accounts for the year to 31 March 2021, on which the auditors issued an unqualified report, have been lodged with the Registrar of Companies and did not contain a statement required under Section 498 of the Companies Act 2006.

## CORPORATE INFORMATION

### Directors

Peter Dicks (Chairman)  
Ian Gray  
Jeremy Harris

### Investment Manager, Secretary and Registered Office

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### Registrars

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Authorised and regulated by the Financial  
Conduct Authority

### Auditor

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### Custodians

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Authorised and regulated by the Financial  
Conduct Authority and a member of the  
Investment Association

### Registered Number

SC211841

### Company Website

[www.svmonline.co.uk](http://www.svmonline.co.uk)